Information Society Trends

Issue number: 66 - (15.3.97 - 9.4.1997)

EDITORIAL

WTO deal opens new telecoms era

On 15 February 1997, the World Trade Organisation (WTO) successfully completed three-year old negotiations on the global liberalisation of basic telecoms services.

The WTO agreement is a historical milestone that will end the era of telecoms monopolies and create a truly liberalised global telecoms market from 1 January 1998.

The accord was signed by 69 countries, including 35 economically less-advanced nations, which agreed to open up to varying degrees their national markets. Together, these countries represent 93% of the global telecoms market worth 400 billion Ecu.

This highlights the existence of a worldwide consensus that liberalisation is the key to ensuring a fast and efficient development of the telecoms industry and the related sectors. This should result in significant price cuts for the end users and stimulate investment in infrastructure development, especially in developing nations.

For the first time in telecoms history, the sector's activities will be covered by a common set of multilateral rules submitted to the WTO dispute settlement mechanism, thus providing the sector's actors with a high-level of predictability and legal security.

The accord commits all 69 signatories to important measures, in particular the most-favoured nation (MFN) treatment, which bans any discrimination on a bilateral basis. It also entails legally binding commitments regarding market access and national treatment.

In addition, 54 countries agreed on a common set of regulatory principles aimed at securing more effective access and national treatment, in particular transparency, fairness and non-discrimination in key areas such as interconnection, licensing, tariffs, universal service provisions, technical standards and frequencies. This also includes a ban on anti-competitive practices such as cross-subsidising and disguised barriers to market access.

The WTO agreement includes a number of individual derogations as well as significant differences regarding the scope of each country's offer. For instance, only 47 countries agreed to authorise foreign groups to take a majority stake in their national operators.

Several countries have also opted for delayed or gradual implementation of their pledges. This largely applies to economically less-advanced nations, in particular from Asia and Latin America, which will not open their market until 2000 and sometimes 2010.

This differentiated treatment between economically most-advanced and less-advanced countries was successfully pushed through by European Union negotiators. As for the EU itself, it agreed to reflect at the global level its internal telecoms liberalisation calendar.

Finally, one must note that Russia and China are not part of the agreement as they are not yet members of the WTO.

EUROPE

Trends: A key event is the Commission's green light to GEN, a planned trans-European high-speed network launched by leading telecoms operators. At market level, the main news is France Télécom's entry into the Italian market.

MULTIMEDIA SERVICES AND PRODUCTS

Eurodat EURL, a French software company affiliated to America's Eurodat, has launched a Internet-based music retail store, Paris Music, that allows customers to sample and download songs from a catalogue of 400 titles and store them in their PC.

A preliminary test of Paris Music has been launched in Paris, Strasbourg and Le Mans, and the service should be available throughout France by September 1997. Eurodat also intends to offer the service in Finland, Germany and the UK in the course of 1998.

To solve the copyright and piracy problems, Eurodat said its system automatically wires payments to music right holders during the downloading and includes an anti-piracy software that allows to ban the copying of songs from one PC hard drive to another.

While there are about a hundred Internet sites that allow users to sample songs and order them via mail, Paris Music is believed to be the world's first electronic music shop.

LEGISLATION AND POLICIES

The European Commission has cleared the Global European Network (GEN), an agreement between the leading European telecoms operators BT, Deutsche Telekom, France Télécom, Telecom Italia and Telefonica aimed at increasing the quality of trans-European communications through high-speed digital links.

Ahead of clearance, the Commission secured amendments to the GEN accord. Participants have in particular agreed to refrain from entering concerted pricing arrangements and to offer third-party access on a non-discriminatory basis.

In view of the creation of a second Spanish telecoms operator, the Spanish government has decided to sell-off 60% of the state-owned TV signal transmitter Retevision by June 1997 for an estimated 460 million Ecu.

The Polish government said it would open up the domestic long-distance telecoms market to competition from 1 January 1999 and soon privatise an initial 10% to 15% of the national state-owned telecoms operator TPSA.

MARKET AND COMPANIES

The French national telecoms operator France Télécom has agreed to spend 85 million Ecu on purchasing a 49% stake in

Infostrada, an Italian telecoms joint venture owned by the former PC maker Olivetti (67%) and the US telecoms operator Bell Atlantic (33%).

Olivetti and Bell Atlantic would jointly manage the 51% share they would still own through a newly created holding company, Infoinvestment.

The leading UK operator BT is negotiating with the Spanish national telecoms operator Telefonica to buy a stake in its international arm, Tisa.

Such move would give BT and its US partner MCI a powerful foothold in Latin America, where Tisa has extensive operations. It could also endanger AT&T Unisource Services, a telecoms joint venture between the US telecoms giant AT&T and Unisource, a European telecoms joint venture of the Dutch, Swedish and Swiss national telecoms operators (KPN, Telia and Swiss Telecom), in which Telefonica has a 25% stake.

NORTH AMERICA

Trends: The main event is the approval of FCC plans to roll-out digital TV in the US by 2006. Meanwhile, competition grows in the on-line news market with Walt Disney's decision to rival MSNBC and CNN. Separately, Microsoft is comforting its position as a leading convergence company with the purchase of WebTV Networks. Finally, moves by USA Global Link and Lucent suggest that Internet telephony is set to take-off.

INFRASTRUCTURE

MCI, the second largest US long-distance operator, is forming partnerships with a local phone company and a electricity utility in Iowa, Long Lines Ltd. and Northern Iowa Power Cooperative, in a move to provide local telecoms services.

This kind of alliance would allow MCI to bypass the infrastructure of US regional telecoms operators to provide telecoms services in US rural areas.

MULTIMEDIA SERVICES AND PRODUCTS

The Anglo-Dutch science publisher Reed Elsevier said it has agreed to spend $320 million on purchasing MDL Information Systems, a US company specialised in software that allows chemists to develop graphical models of molecular structures.

Reed Elsevier, which publishes 1,200 science journals in print and on-line formats, said MDL's software would allow scientists to directly exploit its journals' scientific content.

While MDL currently targets chemists in the pharmaceutical industry, it has plans to launch a similar software aimed at biologists before the end of 1997.

A consortium of leading US communications companies led by the media giant Walt Disney has decided to launch ABCnews.com, a 24-hour Internet news service that would rival a similar venture, MSNBC Interactive, launched in 1996 by Microsoft, the world's leader in PC software, and the US TV network NBC, as well as the on-line news service of the US news channel CNN, a subsidiary of the media giant Time Warner.

The venture, to be launched at the end of April 1997, would include the US TV networks ABC, a subsidiary of Disney, the world's leading on-line service America OnLine (AOL), the world's leader in Internet browsers Netscape Communications, and Starwave, a multimedia start-up launched by Microsoft co-founder Paul Allen.

The venture is Disney's most significant move into on-line communications to date. Despite its late start, distribution through AOL and Netscape is a major asset for ABCnews.com, as their Web sites have a combined 16 million visitors a day.

USA Global Link, a US company specialised in call-back services, has launched a global phone-to-phone Internet-based telephone service.

Global Link said the service, which doesn't necessarily require customers to own a PC, would allow to transmit voice, fax, video and data at the price of a local call without the delays and low quality which have so far characterised Internet telephony.

Global Link said it would invest $500 million to develop the system at world level. It should be available in the USA, German, France, Japan and the UK within six months.

Meanwhile, three leading operators, France Télécom, GTE and MCI, have agreed to test Lucent Internet Telephony Server SP, a new Internet telephony system developed by Lucent Technologies, the former manufacturing arm of the US telecoms giant AT&T.

The technology is aimed at allowing telecoms operators to route regular phone calls via the Internet, thus allowing them to position themselves towards new carriers such as USA Global Link which launch phone-to-phone Internet-based telephony.

LEGISLATION AND POLICIES

The US Federal Communications Commission (FCC) has approved plans to introduce digital TV in the USA over the next 10 years. The plan followed voluntary commitments by 12 TV stations, including the leading TV networks ABC, CBS, Fox and NBC, to offer digital TV in the US top-10 markets by the end of 1998 and the commitments by TV manufacturers to sell digital TV sets also before the end of 1998.

Under the plans, the country's 1,600 TV stations will be given a second channel to broadcast their programmes in both the existing analogue format and the new digital format at the same time. The analogue licenses would be revoked in 2006, by which time consumers are expected to have switched from analogue to digital TV.

The US Federal Communications Commission (FCC) has given its green light to two planned global satellite communications systems, Teledesic and Odyssey.

Odyssey is a worldwide satellite network project aimed at providing wireless voice and data services and sponsored by the US aerospace manufacturer TRW. As for Teledesic, it is a video, voice and data system sponsored by Bill Gates and Graig O. McCaw.

MARKET AND COMPANIES

Microsoft, the world's leader in PC software, has agreed to spend $425 million on purchasing WebTV Networks, a US company that has developed WebTV, a device priced $325 and produced under license by the Dutch and Japanese electronics giants Philips and Sony that connects to the TV and allows to surf the Internet and have e-mail. The move is part of Microsoft's strategy to reinforce its position as a leading player in the convergence of electronics, PCs, broadcasting and on-line communications.

Ascend Communications, a US supplier of remote Internet and corporate network access equipment, agreed to spend $3.7 billion on the purchase of Cascade Communications, a US company specialised in high-speed switching technologies.

The move would mark a further consolidation of the US networking industry following the recent purchase of US Robotics by 3Com for $6 billion, and the purchase in 1996 of StrataCom by Cisco Systems for $4 billion.

TECHNOLOGY

AMD, a US microprocessor manufacturer, has launched K6, a new line of powerful chips with which it hopes to rival the market leader, America's Intel.

The K6 chips come in 233, 200 and 166 MHz versions and are compatible with Intel products. The performance of the K6 is comparable to the Pentium II, the new chip Intel intends to ship before the end of the year and is expected to be priced significantly higher.

ASIA AND PACIFIC

INFRASTRUCTURE

The Chinese government has chosen the US telecoms manufacturer Motorola to install a third mobile digital cellular network designed for 50,000 users in Beijing.

Unlike Beijing's two existing cellular networks, which rely on the European GSM standard, the new system would be based on the incompatible US CDMA standard.

MARKET AND COMPANIES

The Japanese long-distance operator Japan Telecom (JT) and the overseas carrier International Telecom Japan (ITJ) have finalised plans to merge by October 1997.

JT is owned by the private railway company JR, while ITJ's major shareholders are the trading houses Mitsubishi, Mitsui and Sumitomo.

The Japanese telecoms long-distance operators DDI and the cellular operator IDO are planning to build up closer ties to step up competition against Japan's cellular leader, NTT Domoco, a subsidiary of the telecoms giant Nippon Telegraph and Telephone.

The deal would involve DDI's eight cellular affiliates, which together with IDO would constitute the country's second largest cellular operator with a 29% market share compared with 52% for NTT Domoco. An alliance between DDI and IDO would be a first major step towards consolidation of the fragmented Japanese cellular industry.

E-mail subscription: Majordomo@www.ispo.cec.be; enter SUBSCRIBE ISTRENDS + your e-mail address